

Message Text

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SUBJ: DRAFT PRESS LAW AND READER'S DIGEST, PORTUGAL

REFS: A) LISBON 4088; B) LISBON 4246

SUMMARY: PERIOD FOR PUBLIC DISCUSSION OF DRAFT PRESS LAW NOW DRAWING TO CLOSE. READER'S DIGEST HAS MADE FORMAL PRESENTATION TO GOP REGARDING ITS POSITION ON DRAFT LAW. IN CONVERSATION WITH OFFICIAL OF MINISTRY OF MASS COMMUNICATIONS, EMBOFF NOTED THAT DRAFT AS CURRENTLY WRITTEN COULD POSE PROBLEMS IN TWO AREAS, ONE HYPOTHETICAL AND FUTURE, THE OTHER (CASE OF READER'S DIGEST) REAL AND IMMEDIATE. END SUMMARY.

1. DRAFT PRESS LAW (REF A) HAS BEEN UNDER PUBLIC DISCUSSION SINCE ITS TEXT FIRST REVEALED SOME TWO WEEKS AGO, THE FORMAL CLOSE OF DISCUSSION PERIOD BEING OCTOBER 10.

2. READER'S DIGEST PORTUGAL HAS MADE FORMAL SUBMISSION TO PORTUGUESE MINISTRY OF MASS COMMUNICATIONS REGARDING ITS POSITION ON DRAFT LAW. ACCORDING TO COPY OF PRESENTATION, WHICH READER'S DIGEST HAS PROVIDED EMBASSY, IMPLEMENTATION OF PRESENT DRAFT WOULD SERIOUSLY IMPERIL CONTINUATION OF READER'S DIGEST IN PORTUGAL. PRESENTATION MAKES POINT THAT READER'S DIGEST IS NEITHER A "DOCTRINAIRE" NOR A
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"NEWS" PUBLICATION (ONLY TWO TYPES DEFINED IN DRAFT LAW:

A) THAT A NEW CATEGORY (OF "CULTURAL" PUBLICATIONS) BE ESTABLISHED, EXEMPT FROM PROVISIONS OF CLAUSES 5 AND 7 OF ARTICLE 7;

B) THAT ARTICLE 57 (EXEMPTING FOREIGN ADMINISTRATORS WHO HOLD THEIR POSITIONS AS OF DATE LAW TAKES EFFECT) BE EXTENDED TO COVER FOREIGN FIRMS (AFFECTED AS OF DATE LAW PUT INTO EFFECT) AS WELL.

3. IN CONVERSATION OCTOBER 4 WITH OFFICIAL AT MINISTRY OF MASS COMMUNICATION, EMBOFF POINTED OUT TWO AREAS IN WHICH DRAFT, AS CURRENTLY WRITTEN, MIGHT POSE DIFFICULTIES:

A) PROVISIONS ALLOWING FOREIGN CHIEFS OF STATE WHO ARE INSULTED IN FOREIGN PUBLICATIONS DISTRIBUTED IN PORTUGAL (AS TIME, NEWSWEEK, HERALD TRIBUNE) TO INVOKE LAW'S PUNITIVE CLAUSES AGAINST THOSE PUBLICATIONS AND THEIR DISTRIBUTORS;

B) PROVISIONS AFFECTING READER'S DIGEST.

4. IN REGARD TO FIRST AREA OF DIFFICULTY, MINISTRY OFFICIAL ACKNOWLEDGED POSSIBILITY THAT PRESS LAW MIGHT CONCEIVABLY BE INVOKED BY A FOREIGN CHIEF OF STATE WHO FOUND HIMSELF "INSULTED" BY AN AMERICAN PUBLICATION DISTRIBUTED IN PORTUGAL, BUT FELT THE CHANCES OF THIS HAPPENING WERE SLIGHT.

5. CONCERNING READER'S DIGEST, EMBOFF NOTED HIS UNDERSTANDING THAT READER'S DIGEST FELT IT MIGHT NOT BE ABLE TO CONTINUE OPERATIONS IN PORTUGAL IF DRAFT LAW'S PROVISIONS CONCERNING OWNERSHIP AND RESTRICTION OF ACTIVITIES WERE NOT CHANGED. IF IN FACT READER'S DIGEST DID CEASE OPERATIONS FOR THIS REASON, IT WOULD CONSTITUTE FIRST INSTANCE OF A US FIRM ABANDONING PORTUGAL SINCE APRIL 25 FOR REASON OF DIRECT GOP ACTION CONTRARY TO FIRM'S INTERESTS. UNTIL NOW GOP HAS CONSISTENTLY EMPHASIZED THAT FOREIGN INVESTMENT IS WELCOME, MOST NOTABLY IN RECENT SPEECH TO AMERICAN MEN'S CLUB BY LABOR MINISTER COSTA MARTINS (REF B). CLOSING-DOWN OF READER'S DIGEST BECAUSE OF PROVISIONS OF PRESS LAW THEREFORE COULD RESULT IN MISINTERPRETATION OF GOP'S ATTITUDE BY AMERICAN INVESTORS. MINISTRY OFFICIAL LISTENED TO THIS PRESENTATION AND MADE NO COMMENT.

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6. COMMENT: AS REPORTED REF A, READER'S DIGEST DIRECTOR JORGE PINHEIRO DISCUSSED THIS MATTER ON SEP 18 WITH THEN MINISTER FOR MASS COMMUNICATIONS SANCHES OSORIO. PINHEIRO LEFT MEETING HIGHLY OPTIMISTIC THAT CHANGES IN DRAFT LAW HE ADVOCATED WOULD BE IMPLEMENTED. ALTHOUGH SANCHES OSORIO'S DEPARTURE FROM MINISTRY (AS CONSEQUENCE OF POLITICAL CHANGES IN PORTUGAL SEP 28-30) COULD CHANGE MATTERS, PINHEIRO REMAINS OPTIMISTIC ABOUT OUTCOME. EMBASSY

CONSIDERS IT UNLIKELY GOP WISHES TO ALARM FOREIGN INVESTORS,
WHICH WOULD HAPPEN SHOULD READER'S DIGEST FOLD, AND IT
THEREFORE INCLINED TO AGREE WITH PINHEIRO'S OPTIMISTIC
OUTLOOK.
SCOTT

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